



HF 2363 – Unemployment Insurance Overpayments, Federal Conformity (LSB 5187HV)
Analyst: Kenneth Ohms (Phone: 515-725-2200) (kenneth.ohms@legis.state.ia.us)
Fiscal Note Version – New

Description

[House File 2363](#) does the following:

- Prohibits Iowa Workforce Development (IWD) from relieving an employer of charges against the employer's account for an overpayment of unemployment compensation benefits if the overpayment occurred because an employer, or an agent of the employer, failed to respond timely or adequately to the IWD's request for information relating the payment of benefits.
- Removes the prohibition against charging an employer's account for an overpayment of unemployment compensation benefits when the overpayment is not recovered from the claimant because the employer did not participate in an initial determination to award benefits and the overpayments occurred because of a subsequent reversal on appeal regarding the issue of the claimant's separation from employment.
- Establishes a penalty of 15.0% of the amount of the overpayment for individuals that receive unemployment compensation benefits through fraud.

Background

[The Trade Adjustment Assistance Extensions Act of 2011](#) required states to assess a penalty of no less than 15.0% of the amount overpaid on benefits determined to be obtained through fraud. The Act also prohibited states from relieving an employer of benefit charges if the employer, or agent, caused an inappropriate payment.

Assumptions

- The IWD will incur an annual expense of 0.5 FTE Fraud Investigator at \$28,500.
- Fraud overpayments in calendar year 2008 were \$3.9 million. Calendar years 2009-2011 were not used because these years accounted for the three highest benefit payouts in the history of Iowa's Unemployment Compensation Trust Fund.
- Revenues generated from penalties assessed will be deposited in the Unemployment Compensation Trust Fund.

Fiscal Impact

No General Fund impact.

The Unemployment Compensation Trust Fund will be unaffected by the benefit charges levied against employers for an overpayment of unemployment compensation benefits due to that employer or agent's failure to respond timely or adequately to the IWD's information requests. These costs are currently generalized and spread across all employers and will now be charged specifically to the employer responsible.

The resulting penalty assessment on fraud overpayments will generate an estimated \$587,000 in revenue for the Trust Fund. This revenue could decrease over time as the penalty acts as a deterrent to individuals committing fraud in order to receive benefit payments.

The cost associated with the Fraud Investigator would be paid from the Unemployment Insurance Administration State Grant.

This legislation is necessary to conform to federal law and to maintain a State-certified unemployment compensation program. If this legislation is not enacted, it will result in Iowa losing State certification and will result in the loss of the current 5.4% federal tax credit for Iowa businesses. The loss of the tax credit will result in Iowa businesses paying an additional \$378 per employee for a total increase of \$500.0 million annually in federal unemployment taxes.

Source

Iowa Workforce Development
U.S. Department of Labor

February 29, 2012

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56, Code of Iowa](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
